

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 7, 2001

TO: AFFORDABLE HOUSING TASK FORCE

FROM: MILDRILYN STEPHENS DAVIS, DIRECTOR, OFFICE OF HOUSING *msd*

SUBJECT: INTERIM TASK FORCE REPORT AND EXECUTIVE SUMMARY

Enclosed are the Task Force's Interim Report and the Executive Summary prepared for the May 19 Housing Summit. Please note that the following changes have been made to the Interim Report from the version reviewed by the Task Force on April 12:

1. Some headings describing the recommended housing production and housing assistance tools have been modified slightly either for grammatical consistency between the two subcommittee sections, or to reflect more accurately the final consensus of the Task Force.
2. Some items in the Housing Production Subcommittee section have been re-ordered to group rental housing items separately from sales housing items.
3. In the Housing Assistance to Households Subcommittee section, the discussion of actions already taken or in process has been moved to the end of the section. These actions do not appear in the Executive Summary, which is intended to focus the public discussion on the actions planned for the future, and the change was made so that the order of the recommended actions is consistent between the two documents.

If you have not already registered to attend the Summit, I encourage you to do so as soon as possible. Please call me at 703-838-4990 if you have any questions or concerns.

CITY OF ALEXANDRIA, VIRGINIA

INTERIM REPORT OF THE AFFORDABLE HOUSING TASK FORCE

APRIL 2001

I. INTRODUCTION

To address the critical need for affordable housing in Alexandria, City Manager Philip Sunderland established a task force to make recommendations to City Council regarding the City's role with respect to affordable housing. In addition to the City Manager, members of the Affordable Housing Task Force include Council Members William Euille and Joyce Woodson; Affordable Housing Advisory Committee members Jeremy Flachs and Amy Rose; Oscar Rodriguez, Realtor with Primary Properties Realtors, Inc.; Stanley Slotter, President of Paradigm Companies; Walter Webdale, Executive Director of AHC, Inc. (formerly Arlington Housing Corporation); Planning Director Eileen Fogarty; and Housing Director Mildrilyn Davis.

The first meeting of the Task Force was held on January 11, 2001, at which time the members agreed to develop recommendations to Council to enhance affordable housing opportunities for households with incomes between 30% and 75% of the Washington, D.C., metropolitan area median family income, with the understanding that this targeting of household incomes might be broadened as the Task Force pursues its objectives. In particular, the Task Force was charged with exploring the potential to enhance opportunities for housing affordability for households engaged in public service occupations, as well as for those households who live or work within the City limits.

Although the Task Force defined its scope narrowly for the purpose of achieving meaningful accomplishments in a relatively short time frame, the Task Force also recognizes that the issue of affordable housing encompasses a wider variety of issues, including affordable housing that addresses the needs of the elderly, persons with disabilities, homeless persons, persons in need of transitional housing, persons with special needs, and persons who fall outside the targeted income range. The chosen focus of the Task Force is not intended to ignore these other needs, and it is the desire of the Task Force that its work be viewed as the first step in a longer process that will ultimately take into account the needs of the above mentioned populations.

Two subcommittees of the Task Force were formed at the January 11 meeting. The Affordable Housing Production Subcommittee was responsible for considering options for the development of affordable rental and owner-occupied housing through construction and rehabilitation. The Housing Assistance to Households Subcommittee considered options for assisting households through programs and subsidies for homebuyers, homeowners and renters. During the period January 22 through April 3 (approximately 11 weeks), the two subcommittees held 12 meetings (six meetings each) and developed the reports set forth on the following pages.

Overarching Policy Goal

In developing its recommendations, the Affordable Housing Task Force has defined as its overarching goal the establishment and preservation of stable communities and self-sufficient households, and has recognized that the provision of affordable housing opportunities, whether through the production of housing units or the furnishing of individual housing assistance, cannot operate in isolation, but must, in order to effectively achieve this goal, work in tandem with other City policies, programs and activities that are designed to achieve the goal.

II. HOUSING PRODUCTION SUBCOMMITTEE REPORT

Subcommittee Members

Councilman William D. Euille
Amy Rose, Affordable Housing Advisory Committee
Stanley Slotter, President, Paradigm Companies
Walter Webdale, Executive Director, AHC Inc.
Mildrilyn Davis, Director, Office of Housing
Eileen Fogarty, Director, Planning and Zoning

Staff

Melodie Baron, Division Chief, Landlord-Tenant Relations
Shane Cochran, Division Chief, Housing Program Implementation¹
Lori Godwin, Assistant City Manager
Mark Jinks, Assistant City Manager
Kimberley Johnson, Department of Planning and Zoning
Gregory Tate, Department of Planning and Zoning

Guest Presenters/Invited Discussion Participants

Jennifer Archibald, Fannie Mae
Jack Clark, Fairfax County Department of Housing and Community Development
David Cardwell, Freddie Mac
Tom Deyo, Fannie Mae
David Jeffers, Director, Fannie Mae Northern Virginia Partnership Office
Patrick Maier, Montgomery County Housing Opportunities Commission
Cindy Mester, Loudoun County Housing Services
Peggy Sand, Housing Consultant
Douglas Westfall, Freddie Mac

Citizen/Other Attendees

See Attachment I

¹ Principal staff

Summary of Work of Housing Production Subcommittee

The Housing Production Subcommittee held six meetings from January 22 to April 2 to discuss a variety of issues surrounding the production of affordable housing units, including both sales and rental units, for households with incomes from 30% to 75% of the Washington D. C. metropolitan area median family income. Members of the public who attended one or more meetings of this subcommittee are listed in Attachment I.

The Subcommittee began its analysis with an overview of the City's current housing production tools and their application. The first item reviewed was the City's Zoning Ordinance, which provides for increases in density, floor area, and height, and reductions in off-street parking, in exchange for providing affordable housing, at Council's discretion, through a Special Use Permit. Special provisions for CDDs in general and the Eisenhower Avenue CDD in particular were also discussed. The Subcommittee discussed the fact that the density, floor area, and height provisions have not been used, and explored possible reasons for this situation. (Zoning matters are addressed further in the Zoning Issues section, below.) The City's Affordable Set-Aside Unit production program, as well as other affordable housing development approaches taken by the City, were also discussed, and the challenges presented in implementing each of these approaches was highlighted.

The February 20 meeting of the Housing Production Subcommittee focused on the developer's perspective on affordable housing production. Task Force member Stanley Slotter presented a case study and summary pro forma which demonstrated the various factors that may influence housing affordability during the production process. Land costs, parking reduction requirements, and bonus densities were identified as critical elements in reducing per unit costs for multifamily rental housing developments. Other critical tools identified were Low Income Housing Tax Credits, incorporation of market rate units into the development, and project-based housing subsidies. The Subcommittee also discussed a range of other approaches to reducing development costs, such as tax abatement and tax exemption, performance zoning, and tax-exempt bond financing.

In an effort to understand how other jurisdictions address affordable housing production, the Subcommittee at its February 26 meeting heard from representatives from three neighboring jurisdictions, Fairfax County, Montgomery County and Loudoun County. Each of these jurisdictions has implemented affordable dwelling unit ordinances which require developers of large residential projects to provide a percentage of their total development as affordable homes for sale or lease to income eligible households. Each of the government representatives described their success in developing affordable units which were architecturally well-integrated and dedicated to long-term affordability, with the Montgomery and Fairfax representatives providing photographs to illustrate the architectural integration. It was noted that similar opportunities exist in the City but that such approaches must be taken within the context of the City's current density and existing housing stock. The speakers also highlighted other housing production efforts, as well as the local funding devoted to these efforts in their jurisdictions.

The March 12 Subcommittee meeting featured presentations from Freddie Mac and Fannie Mae, which work nationally in providing affordable housing development financing, often in partnership with local governments. These agencies, which purchase both single family and multifamily loans, offer a range of loan products including reduced interest rate loans, credit enhancement, and long-term fixed rate up-front loans. Potential partnership with the City, non-profit and for-profit developers was noted, particularly in regard to real property acquisition. These agencies cannot have an interest in real property nor can they partner solely with a private sector developer, thus creating a need for City participation in development initiatives. Representatives suggested that the City must focus on identifying an appropriate level of risk while also serving the long-term interests of affordable housing development.

The March 19 and April 2 meetings were devoted to developing the recommendations contained in this report.

Throughout the Subcommittee's discussions and deliberations, it was repeatedly emphasized that, in order for this Task Force effort to be productive, the City must exercise the political will to take the actions necessary to address the issue of affordable housing.

Housing Production Goals

- Provide a range of housing choices for households at all income levels.
- Provide affordable housing choices throughout the City.
- Support mixed-income communities.
- Encourage housing near employment centers, with adequate access to a variety of facilities and services.
- Maintain and enhance the quality and safety of housing and neighborhoods.

Although the Subcommittee developed a number of concrete recommendations for initiatives to be undertaken in the short-term, the subcommittee has taken a longer-term approach with regard to zoning matters. The recommended approach to zoning matters is discussed following the recommended non-zoning tools for affordable housing production.

Recommended Housing Production Tools (Non-Zoning)

- 1. Facilitate the acquisition/rehabilitation of existing multifamily² rental housing.**

Description: Facilitate the development of affordable rental housing through acquisition and rehabilitation of existing housing, on a case by case basis, with the objective of achieving the following:

²For the purposes of this report, multifamily property shall mean property with four or more residential units.

- a mix of market and affordable units
- a mix of affordable unit sizes
- significant improvement to the physical structure of the property
- consistency with City land use policies
- stability of resident population

This will entail bringing together developers (both for-profit and non-profit), property owners, and funding sources, including secondary market lenders; supporting tax credit and tax-exempt bond projects where appropriate; and providing one-time loans or grants to make such projects work (e.g. to ensure mixed-income projects) under the assistance program described in recommendation 3. The primary liaison for this activity will be the Department of Planning and Zoning.

Action Needed to Implement: Council approval.

Level of Assistance: See Recommendation 2

Potential Funding Source(s): See Recommendation 2

2. **Make direct grants or loans for affordable rental housing.**

Description: Make direct grants or loans to non-profit or for profit developers to secure a commitment of affordable rents, in new or existing housing, for a specified period of time, (e.g., 20 years or more). For properties that have a high percentage of low-income units or where the City has provided a substantial amount of financing (under guidelines to be developed), include a right of first refusal for the City or its designee to purchase the property to continue the affordable use at the end of such period.

Staff comment: The City's financial subsidy could be based on the projected amount of property taxes owed by developer for the period of affordability. Potential projects should be considered on a case by case basis, with the intent of achieving the following:

- a mix of market and affordable units
- a mix of affordable unit sizes
- a well-designed new property with appropriate amenities or a significant improvement to the physical structure of an existing property
- consistency with City land use policies
- stability of resident population

Action Needed to Implement: Council approval.

Level of Assistance: Up to \$1 million per year

Potential Funding Source(s): HOME, CDBG, Housing Trust Fund, General Fund

3. Encourage on-site Affordable Housing Plans in rental development.

Recommendation: On a case by case basis, encourage developers of new rental housing to use an amount equivalent to their formula Housing Trust Fund contribution to provide affordable units on site, taking into account the following:

- the number of affordable units that can be provided (e.g., through the housing contribution formula, or in accordance with any assistance program to be used), both as an absolute number and as a percentage of total project units
- the level of public subsidy required per unit
- the difference in rents between market and affordable units
- the breakdown of unit sizes in the affordable units
- the location of the site, in terms of proximity to transportation, schools, recreation, and other amenities
- the likelihood that the property, based on its location, unit sizes, and amenities, will attract families

Action Needed to Implement: Council approval.

Level of Assistance: Depends upon number of rental units proposed for construction, and nature of the development with regard to the above criteria.

Potential Funding Source(s): Not applicable

4. Make grants or loans for project feasibility analysis and pre-development costs for affordable rental and sales housing.

Recommendation: Provide funding for feasibility analyses and pre-development costs, to be made available to non-profit developers and/or partnerships. Funding would be provided to assist in conducting preliminary project feasibility analyses, including analyses of market demand, physical characteristics of the site, and financial projections. Funding would also be provided for up-front financing for routine pre-development costs such as architectural and engineering plans and specifications, and preparation of marketing and management plans.

Action Needed to Implement: City Council approval and allocation of funds.

Level of Assistance: Up to \$500,000 per year, not to exceed \$50,000 per project for feasibility analysis and \$50,000 per project for pre-development costs.

Potential Funding Source(s): CDBG, Housing Trust Fund, General Fund (HOME is not recommended because costs would be disallowed if they do not result in a HOME-funded project.)

5. Allow design flexibility for affordable units.

Recommendation: For future set-aside units in new developments (on-site housing in lieu of developer contribution to Housing Trust Fund), allow flexibility in the design, location, and layout of affordable units, with the understanding that this may result in affordable unit designs that differ from the market rate units, but are architecturally compatible, as a means of making it possible to produce more affordable units.

Action Needed to Implement: Council approval of concept; Planning Commission and Council approval of specific developments.

Fiscal Impact: None

Potential Funding Source(s): Not Applicable

6. Support affordable sales housing development.

Recommendation: Where financially feasible, aggressively encourage developers of new sales housing to provide affordable units on site in lieu of contributing to the Housing Trust Fund. In addition, on a case-by-case basis, provide financial support to non-profit organizations to develop affordable sales units by contributing to land acquisition costs, construction/rehabilitation costs, and/or purchase assistance to income-eligible households.

Action Needed to Implement: Encouragement of affordable sales units in new developments requires no further action. Funding support requires Council approval and allocation of funds.

Level of Assistance: Special allocations as necessary.

Potential Funding Source(s): CDBG (excluding construction), HOME (excluding feasibility studies), Housing Trust Fund, General Fund.

7. Study the appropriateness of increasing the Housing Trust Fund contribution.

Recommendation: Conduct further study of the adequacy and appropriateness of Alexandria's \$.50 per square foot formula for developers' voluntary contributions to the City's Housing Trust Fund, and involve the development community in the review of this issue.

8. Establish an infrastructure fund.

Recommendation: Establish an infrastructure fund that can be used, on a negotiated basis, to offset, in whole or part, a developer's costs for improvements such as under grounding, landscaping, bricking, etc. for projects that provide affordable housing, with the stipulation that there shall be no difference in public infrastructure between developments that include affordable housing and those that do not.

Action to Implement: Local ordinance.

Level of Assistance: \$300,000 - \$500,000 per year

Potential Funding Source(s): General Fund, Housing Trust Fund

9. Monitor federal plans for tax credits for sales housing.

Recommendation: Monitor the reported federal initiative to create a tax credit program for sales housing units, and encourage the use of such program when it becomes available.

Action to Implement: Not applicable.

Recommended Approach to Zoning Matters: Future Land Use & Policy Options

At issue is the challenge of changing the economics of providing affordable units and of crafting the appropriate mix of incentives and regulations which succeed in stimulating the construction of new well-sited and well-located units. While no immediate land use actions are recommended, the following proposals can be incorporated into the City's long range land use and planning efforts. The following proposals address both the difficulty and reality of working against market forces.

1. Evaluate the development and implementation of overlay zones.

Description: Evaluate Overlay Zones designed to encourage the construction of new affordable units in selected areas. Elements of the zone would include:

- Careful delineation of proposed boundaries for application of the overlay zone.
- Housing policy objectives to be accomplished.
- Density limitations for office/retail/ industrial uses within boundaries.
- Clear density guidance on residential densities which are compatible with surrounding neighborhoods.

- Possible land use incentives such as:
 - Reduction in parking requirements if located in proximity to mass transit/bus routes, or bus terminus.
 - Possible Transfer of Development Rights to offset lost development potential of the site.

Staff Comment: This approach would require assessment of neighborhoods within the City which are suitable for application of such an Overlay Zone; an analysis of appropriate density on a neighborhood by neighborhood basis, perhaps carried out within the Small Area Planning Process; the development of design, open space, and landscaping criteria to mitigate the impact of the potential development; and regulations regarding access and parking. It would also entail an assertive outreach program to work with the community.

2. **Evaluate the development and implementation of performance zones.**

Description: Evaluate performance zones designed to stimulate the integration of affordable units within proposed market rate developments and/or the payment of fees in lieu of performance. Elements of the performance zone could include:

- Identification of a threshold size of proposed new residential or commercial development, i.e., over a certain number of units or over a certain density which would require the project to perform.
- Require the provision of "x" number of affordable units within all new proposed developments which exceed the established threshold. If actual provision of the units is desired on site, do not allow waivers by "in-lieu" fees. If flexibility is desired, establish a fee ratio for payment of in-lieu fees.
- Require all new commercial development over "x" number of square feet to provide a payment for the construction of affordable housing. Payment should be proportional to the size of the proposed project.

Staff Comment: In Alexandria the provision of affordable units in new development (or a monetary contribution in lieu thereof) is voluntary, and incentives such as bonus density are available, through a Special Use permit, to developers who provide affordable units. It has been extremely difficult to get developer cooperation in providing affordable units since this affects the overall rate of return on investment. Jurisdictions which have required compliance have found that reasonable ratios are extremely important to establish and flexibility is preferred to rigid interpretation. A critical component of success is the establishment of a reasonable fee structure for "in-lieu" payments. In the City, where developers have voluntarily participated in an affordable housing program, very few developers have chosen to construct units; in-lieu payments have been made instead. The performance zone would have to include sufficient incentives to actually achieve on-site housing, if this is a City goal.

3. **Evaluate the development and implementation of a program of transfer of development rights.**

Description: Evaluate a program for the transfer of development rights. This program's goal would be the creation of lower-rise, lower-density affordable housing on land which is currently too valuable to support this construction. In return for affordable housing development on selected sites, the developer would be able to sell and/or transfer his foregone density to a "receiving" area where larger scale development would be permitted. This program could work in tandem with the overlay zone. The program could include

- Identification of areas where transfer program is permitted, i.e. potential transferring areas.
- Identification of areas where transfer of development potential is encouraged, i.e. "receiving areas."
- Analysis of percent of development potential which could be transferred.
- Guidelines controlling sale or transfer of rights.

Staff Comment: Virginia law does not currently allow TDRs. However, this program can work well where there are well designed, available receiving areas. If there are few areas which can reasonably absorb additional density -- usually commercial density -- then there is a reluctance on the part of developer to enter into this program. However, if such areas are available, then it can be a reasonable way to stimulate affordable housing construction at no public cost.

III. HOUSING ASSISTANCE TO HOUSEHOLDS SUBCOMMITTEE REPORT

Subcommittee Members

Councilwoman Joyce Woodson, Chair
Jeremy Flachs, Affordable Housing Advisory Committee
Oscar Rodriguez, Primary Properties Realtors, Inc.
Mildrilyn Davis, Director, Office of Housing

Staff

Melodie Baron, Division Chief, Landlord-Tenant Relations³
Shane Cochran, Division Chief, Housing Program Implementation
Tom David, Housing Program Coordinator, Office of Housing
Bob Eiffert, Director, Office of Aging and Adult Services, Department of Human Services
Lori Godwin, Assistant City Manager
Bob Mulderig, Deputy Director, Office of Housing³
Nelson Smith, Director, Office of Community Services, Department of Human Services

Guest Presenters/Invited Discussion Participants

Blaise de Franceaux, Long and Foster Realtors
Georgia McLaughlin, Century 21 New Millennium Realty
Clay Greenway, Millennium Mortgage Investors, Inc.
Tom Grove, Suntrust Mortgage
Marye E. Ish, ARHA
David Jeffers, Director, Fannie Mae Northern Virginia Partnership Office
Jim Kanala, Jobin Realty
Marcy Meyer, Housing Counseling Services
Marian Siegel, Housing Counseling Services
Lori Tavana, Fannie Mae
Dwight Witcher, ARHA
Gloria Yates, Community Development Specialist, Freddie Mac

Citizen/Other Attendees

See Attachment I

³ Principal staff

Summary of the Work of the Housing Assistance to Households Subcommittee

The Housing Assistance to Households Subcommittee held six meetings from January 30 to April 3 to discuss a variety of issues concerning the provision of housing assistance to individual households.

The Subcommittee began its work by reviewing existing programs. Real estate agents, mortgage lenders and representatives of Housing Counseling Services (the City's contractor for providing training to participants in City homeownership assistance programs) were invited to attend the Subcommittee's January 30 meeting to assist in identifying key programmatic issues in the City's homeownership assistance programs. Problems noted by real estate agents and lenders in using the City's programs were the fact that the City does not offer a preapproval certification like those provided by first-trust lenders. Staff explained that this is because the amount of the City's loan is determined by the total cost of the transaction and the amount of the first trust, and therefore cannot be determined until the first trust loan is committed. Real estate agents advised the subcommittee that under the Homeownership Assistance Program (HAP), if a seller is offering a unit whose most recent occupant was a renter, that unit cannot be sold to a participant in the homeownership program until six months after the tenant moves out (based on an agreement with HUD to avoid triggering federal relocation requirements). An additional issue raised is that the maximum sales price limits are so low that they exclude a number of homes available to Moderate Income Homeownership Program (MIHP) purchasers, even though, in some cases, the program participant could qualify for a higher priced home. Credit issues were identified by Housing Counseling Services staff as the greatest barrier to homeownership by low- and moderate-income first time homebuyers.

At its February 13 meeting, staff from the Department of Human Services presented a summary of the City's rental assistance programs. The City's programs are primarily short-term, crisis related programs. The subcommittee discussed the Rent Relief Program, which provides an annual grant of up to \$1,500 to eligible elderly and disabled households in the City. The subcommittee also discussed rental assistance programs in neighboring jurisdictions, and the City's inability to control rent increases because of state law restricting rent control.

At the March 6 meeting, staff reviewed the results of a survey of City employees, conducted by the Office of Housing to determine the housing needs and preferences of public employees. The survey indicated that many employees felt that they could not afford to purchase the type of house they wanted in the City of Alexandria. A number of respondents said that a yard was important to them, and condominiums were the least popular type of home in terms of what City employees would be willing to consider purchasing. The survey also revealed that a high percentage of City employees are unfamiliar with the City's homeownership programs. Representatives of Fannie Mae and Freddie Mac also attended the March 6 meeting to advise the subcommittee of affordable mortgage loan products available to low- and moderate-income homebuyers.

The March 20 meeting of the subcommittee was devoted to clarifying previously discussed topics and follow up on items of concern to the subcommittee, including a review of materials distributed at previous meetings for which there had not been sufficient time for discussion.

The March 27 and April 3 meetings focused on developing the Subcommittee's recommendations.

There were several items that staff was able to implement or begin developing immediately based on subcommittee discussions. Those items appear beginning on page 23, following the Recommended Housing Assistance Tools.

Housing Assistance Goals

- Provide a range of housing assistance opportunities for households at all income levels in a manner designed to maintain or increase self-sufficiency; e.g., assist homeowners to remain in their homes, assist renters to remain renters in Alexandria or to become homeowners in Alexandria, and assist homeless/transitional households to become stabilized in permanent housing.
- Assist and encourage families to reside in Alexandria on a long-term basis.
- Assist and encourage households with members who work in Alexandria, including public employees, to reside in the City.
- Assist and encourage households that have resided in Alexandria for many years to remain City residents.

Recommended Housing Assistance Tools

1. **Review the City's homeownership programs, including the provision of set-aside units in new developments, and make recommendations to enable them to provide homeownership opportunities to a greater number of households.**

Description: Review the City's homeownership programs and make recommendations for improving program operations and expanding program utilization in accordance with the following principles:

1. Assistance levels should be adequate to enable households to purchase homes in today's housing market, but no greater than required to achieve program goals.
2. Assistance levels should be commensurate with need, which may call for varied maximum assistance levels rather than the current two levels (HAP maximum \$25,000 and MIHP maximum \$15,000.), as well as variance in the amount of the purchaser's required minimum contribution.
3. There should be controls to prevent windfall profits upon resale (e.g., shared appreciation).

Staff will make recommendations for program changes in the fall.

Action Needed to Implement: To be determined based on specific recommendations.

Level of Assistance: To be determined.

Potential Funding Source(s): Any program changes with fiscal impact would impact the funding source for that particular program. HAP is currently funded with CDBG and HOME; MIHP is funded with Housing Trust Fund monies; set-aside units are provided in lieu of contributions to the Housing Trust Fund.

2. **Review Rent Relief Program operation in FY 2001 and develop possible recommendations, for consideration in the fall of 2001, to affect the application process and operation of the FY 2003 program (disbursements in, or beginning in, July 2002).**

Description: The Rent Relief Program provides an annual payment of \$1,500 to persons age 65 and over, or who are completely and totally disabled. To qualify, persons must have a household income of under \$18,000 per year, and not be receiving any other type of rent assistance. Persons apply by May 1 of each year. Those who qualify receive the grant in one lump sum during the month of July, the first month of the new fiscal year.

During FY 2001 (the grants disbursed in July 2000), the program distributed less than half the budgeted \$190,000. Starting in FY 2002 (the grants applied for in March through May 2001 and distributed in July 2001), the Department of Human Services is operating the program. DHS has mounted a major publicity effort to increase participation in the program.

Since the program for FY 2002 has already begun, it is not practical to propose changes now. However, staff will review the success of the program for FY 2002, and consider the feasibility and advisability of recommending changes for FY 2003. Possible changes to the program include:

- raising the income eligibility limit from \$18,000 to \$25,000 per household per year, to match the income eligibility limit in the City's Real Estate Tax Relief program for the elderly and disabled;
- extending the eligibility period to be ongoing, instead of once a year;
- distributing the grants monthly, at \$125 per month, instead of in a lump sum once a year.

Staff comment: The Department of Human Services will study each of these changes. By August, they will know how much they were able to expand the program for FY2002. Depending on how much is expended for FY2002, it might be possible to recommend an increase in income eligibility for FY2003 without increasing the budget. Extending the eligibility period will involve only a staff expense to receive and process applications year-round; the department will be able to estimate that administrative expense. Finally, the department will ask recipients how they prefer to receive their grant, and will determine whether or not a monthly payment might negatively affect other benefits that recipients might receive, such as Food Stamps, Medicaid, or Supplemental Security Income (these benefits are often exempt from a one-time grant such as the current program provides). The department will also determine the administrative cost of issuing monthly checks, rather than the one check per year. The department will report back to the subcommittee in the fall.

Action Needed to Implement: None now. Possible ordinance amendment in the fall.

Level of Assistance: To be determined.

Potential Funding Source(s): The program is funded with General Fund monies. Given that less than half of the available budget was utilized in FY 2001, the changes being contemplated may not result in a need for additional funding.

3. Consider the development of a City rental assistance program to assist households not currently being served by other rental assistance programs.

Description: The City could initiate its own rental assistance program, to be administered either by City staff or by a non-profit organization, to assist households not currently being served by other rental assistance programs.

Staff Comment: Staff considers Section 8 to be the most appropriate vehicle for providing ongoing rental assistance. Although staff does not support the idea of a City-funded rental assistance program, if the City were to develop such a program, staff recommends that it be narrowly focused on a specific target population.

One option would be to develop a rental assistance program for the City's VIEW/welfare-to-work caseload. Although HUD offers a welfare-to-work housing voucher program, HUD's rules require that eligible participants be taken from ARHA's waiting list, and that process would not direct assistance solely to the City's caseload nor enable the City's entire VIEW/welfare-to-work caseload to be served. Department of Human Services staff estimates that 57 clients are not receiving other rent subsidies and may currently be in need of such assistance. Based on an average wage for these clients of \$7.48 per hour (\$15,558 per year), an average subsidy of \$609 per month would be needed in order for these clients to pay no more than 30% of their incomes (average tenant payment: \$389 for rent at the level

currently subsidized by ARHA for a two-bedroom unit (\$998)).⁴ Subsidies would be provided for a period not to exceed two years (the maximum term of tenant-based rental assistance under the HOME program), conditioned on compliance with all requirements of the VIEW program and on making application for the Section 8 program (when the list is open), and transitioning to Section 8 assistance if and when the client is offered such assistance by ARHA.

Action Needed to Implement: Council approval and possible inclusion in annual HOME program budget or submission of budget amendment to HUD.

Level of Assistance: First-year cost for current VIEW/welfare-to-work caseload at an average of \$609 per month would be \$416,556; second-year allocation would increase to the extent that additional households are added while the initial households continue to receive assistance.

Potential Funding Source(s): Home Investment Partnerships Program (HOME) may be used for rental assistance not exceeding two years. However, HOME requirements may not allow the types of targeting described above. In that event, Housing Trust Fund or General Fund would be potential funding sources.

4. Support ARHA requests for additional Section 8 assistance.

Description: Provide the required City support letter should ARHA wish to apply for additional allocations of Section 8 tenant-based rental assistance.

Staff Comment: Support should be given when the assistance is to be targeted for specific purposes (e.g., assisted living, special needs households,⁵ homeownership) or project-based uses.

Action Needed to Implement: Council authorization for City Manager to execute the necessary letters.

Level of Assistance: To be determined on a case-by-case basis for specific applications to HUD.

Potential Funding Source(s): Not applicable.

⁴ Subsidies would be provided based on the actual unit rented by the participant; some families would require lower subsidies if they rented units costing less than \$998 per month, or units with only one bedroom; families requiring larger units would require larger subsidies. The two bedroom figure was used to calculate the subsidy payment based on DHS' estimate that most families in the VIEW/Welfare-to-work caseload would require two-bedroom units.

⁵ From time to time HUD makes available housing vouchers for persons with special needs. The Alexandria Community Services Board's Five-Year Housing Plan approved by Council in FY 1998 includes a goal of obtaining 30 such vouchers.

5. **Change Homeless Intervention Program (HIP) to allow repeat assistance after five years, rather than current rule of once in a lifetime.**

Description: HIP is a state and City funded program designed to prevent homelessness of families facing eviction or foreclosure due to a financial crisis beyond their control. The program can assist with rent, security deposits and mortgages. Households engage in service planning and case management to eliminate the problems that caused the crises. Households can receive assistance for up to nine months while regaining self-sufficiency.

Virginia Department of Housing and Community Development (VDHCD) regulations specify that a household is eligible to receive assistance once in a lifetime. HIP started twelve years ago in FY 1989. The impact of this regulation increases each year the program is active. Every household approved effectively shrinks the pool of eligible families. FY 2001 is the first year since 1989 that DHS anticipates the allocation lasting the entire year. Intake was curtailed early in all other years due to the level of expenditures.

Staff Comment: Staff believes the resource could be more effectively used if the state allowed more flexibility. VDHCD has indicated that additional money will be available for FY 2002 through General Assembly action transferring surplus TANF for use in the program. DHS has expressed interest in the funding and asked for flexibility on the one-time assistance rule.

Action Needed to Implement: State approval to assist eligible households more than once, or Council action to allow the City-funded portion of the program to provide for assistance no more than once every five years.

Level of Assistance: Undetermined increase in number of program applicants; number has declined 25% since FY 1996.

Potential Funding Source(s): Not applicable at this time.

6. **Maintain a minimum Housing Trust Fund balance to ensure minimum funding stream for MIHP and other activities.**

Description: The Affordable Housing Advisory Committee has recommended that the Housing Trust Fund "be administered with a view toward maintaining a minimum balance of \$1.5 million," and that this minimum balance policy "be revisited on an annual basis by the Affordable Housing Advisory Committee and City staff, in order to maintain flexibility in managing the Fund and to ensure the longevity of the Fund."

Staff Comment: The proposed minimum balance may be unrealistic, given the potential recommendations for funding initiatives from the Affordable Housing Task Force, as well

as ARHA's potential need for financial assistance in providing replacement housing in connection with the redevelopment of Samuel Madden (Downtown). Staff agrees that the Housing Trust Fund should be prudently managed, but believes that the size of the balance should not drive funding decisions; i.e., it should neither serve to prevent monies from being put to work to accomplish affordable housing objectives, nor be a driver in approving affordable housing projects and programs that otherwise should not be funded, or fully funded.

Action Needed to Implement: Council approval.

Level of Assistance: Level of assistance to be provided with Housing Trust Fund monies is potentially greater without a minimum balance requirement than with one.

Potential Funding Source(s): Not applicable.

7. **Monitor efforts by other Northern Virginia jurisdictions to study the possibility of seeking state authority to add a protection, under local human rights ordinances, from discrimination on the basis of source of income.**

Description: Currently the City's Human Rights Code prohibits housing and other discrimination on the basis of race, color, sex, religion, ancestry, national origin, marital status, familial status, age, sexual orientation, or disability. A protection against discrimination on the basis of source of income would be designed to prohibit landlords and mortgage companies from discriminating against a home seeker on the basis of the household's income sources, if the household were eligible in all other respects. Landlords could not discriminate against a household receiving TANF or Social Security disability income if the household were otherwise qualified. In addition, some jurisdictions have included receipt of Section 8 assistance in the definition of income. Montgomery and Howard Counties in Maryland use source of income protections to prohibit landlords from refusing Section 8 assistance if the applicants are otherwise qualified.

Staff comment: Staff and the Landlord-Tenant Relations Board have raised source of income protection as a possible action to require participation in the Section 8 Existing Housing Assistance Payments (Voucher) program. Between January and June 2000, 12 of the City's multifamily complexes with 10 or more units ceased participation in the Section 8 program, with some landlords refusing to renew participants solely because of their participation. As of January 2000, 31 complexes had participated in the program; this number declined to 19 as of June 2000. As of January 2001, only 20 complexes (including one complex newly added to the survey based on GIS information) accept Section 8 voucher holders. As staff estimates that approximately 60% of Section 8 voucher holders are housed in multifamily properties, this created a hardship for program participants.

When the Virginia law prohibiting discriminatory practices in housing was last amended in 1991, the state included provisions in its law which prohibit localities from enacting fair housing ordinances with protections outside of those included in the state law. Because Alexandria had amended its ordinance in 1988 to include a sexual orientation protection, the City determined that its law was grandfathered and was not affected by this 1991 change. There is some concern that has been expressed by Human Rights staff that requesting permission to include an additional protection could compromise the City's ability to protect sexual orientation, since it is outside of the Virginia protections. The City may wish to wait and see whether other jurisdictions will propose a change in the state law (a group of jurisdictions are studying the source of income protection issue through the Northern Virginia Regional Commission), and then make a decision with regard to supporting such legislation.

Action Needed to Implement: Enabling legislation from the Virginia Legislature.

Level of Assistance: Not applicable.

Potential Funding Source(s): Not applicable.

8. **Explore, in conjunction with community groups and banking institutions, the development of Individual Development Accounts for low and moderate income households to encourage savings and asset development.**

Description: Individual development accounts (IDA) have the potential to help families save, build assets, and enter the economic mainstream. Similar to 401(k) plans, IDAs are designed to encourage individuals to save money for a specific asset, such as homeownership. As of June 2000, IDA programs existed in over 250 communities, with another 100 programs in development. While the specifics of programs vary somewhat based on state law, the basic premise is that individual savings are matched by either a public or private entity on a dollar for dollar, one dollar to two dollars, or one dollar to three dollar basis.

According to data collected and analyzed by the Center for Social Development at the Washington University in St. Louis, at the end of June 2000, more than 2,439 account holders had saved more than \$913,000. Account holders typically saved \$24 per month, with an accumulated average of \$348. With the matching funds added in, the average savings was \$1,033 over nine months.

Virginia passed IDA legislation in 1998 that provided demonstration grant funding in a limited number of localities, so this tool is available in Virginia; however specific funding sources and potential community partners would need to be researched further with regard to the potential for this tool to assist households achieve a goal of homeownership.

The Alexandria United Way has expressed an interest in exploring the use of IDA accounts to assist low-income families save and build assets.

Action Needed to Implement: Council approval of Task Force recommendation to explore program concept. Depending on what is recommended, General Assembly action may be required.

Level of Assistance: To be determined.

Potential Funding Sources: A funding source for the matching monies for individual accounts has not been identified at this time. In some states, a tax credit is provided to the contributor of an IDA for a low-income person. In other states, state funding is used to provide a direct match, or employers have provided matching funding. In some models, faith organizations provide matching funding to an IDA program. North Carolina also has a model program that uses CDBG monies to provide a direct match.

9. **Provide homeownership assistance to move-up buyers as an incentive for them to remain in the City of Alexandria.**

Description: Allow a one-time rollover of HAP and MIHP assistance for loan recipients (excluding purchasers of set-aside units in new developments who also have HAP or MIHP loans) who sell the home the City assisted them to buy, and immediately purchase a subsequent home within the City. In order to qualify for the rollover, loan recipients would have to be income eligible for HAP or MIHP at the time of the sale, and must have resided in the assisted home for at least five years (the period of time required to avoid the anti-speculation surcharge imposed by the City's homeownership programs). The original assistance would not have to be repaid upon the sale of the assisted property, but a new deed of trust would be executed securing the City's loan on the new property. In the event the City implements a shared appreciation model for the HAP and MIHP programs, a decision will have to be made as to whether to impose the appreciation share on the first home by adding that amount to the second trust on the subsequent property.

Staff Comment: Although this initiative is designed to address the goal of retaining Alexandria residents in the City, and may also serve to retain families who might otherwise move out of the City, Housing staff is concerned that assistance to move-up buyers, who will have some level of equity in their first home, diverts assistance from first-time homebuyers, who may have a greater need for home purchase assistance.

This appears to be eligible under both CDBG and HOME; however, there is a maximum limit on the value of property to be assisted with HOME funds. If a HAP recipient with a HOME-funded loan desired to purchase a subsequent property, and the value of the subsequent property exceeded the value limit (currently \$229,917), the HOME monies would have to be repaid and replaced with other monies (CDBG HAP or Housing Trust Fund MIHP monies).

Action Needed to Implement: Council approval.

Level of Assistance: Based on FY 2000 and projected FY 2001 loan repayments, and assuming all loan recipients remain income-eligible, potential loss of an average of \$81,500 in HAP and \$24,000 in MIHP loan repayments per year, with retention in the City of up to 7 HAP and 2 MIHP recipients per year.

Potential Source(s) of Funding: Foregone CDBG, HOME, and Housing Trust Fund (MIHP) program income.

10. **Provide an incentive to sellers that makes HAP and MIHP buyers more competitive with non-assisted buyers in a hot housing market.**

Description: Only in a very tight housing market such as exists today, pay \$1,000 of the real estate commission in order to reduce the seller's costs as an inducement for the seller to sell to a buyer participating in the HAP or MIHP programs.

Action Needed to Implement: Council approval.

Level of Assistance: Based on prior year activity, less than \$50,000 per year. Actual cost could be greater if housing market remains tight and outreach efforts succeed in increasing program participation.

Potential Source(s) of Funding: HOME or CDBG for HAP, unless prevented by program regulations; Housing Trust Fund, General Fund. HUD staff are looking into this matter, but initial indications are not favorable in terms of CDBG and HOME eligibility.

11. **Market the positive aspects of condominiums in an effort to attract buyers to the most affordable segment of Alexandria's sales housing stock.**

Description: Include in the City's homeownership counseling program a discussion of the merits of all types of sales housing, including condominiums.

Staff Comment: Based on information recently made available to staff, condominium ownership may not be in the best interests of purchasers' long-term economic self-sufficiency.

Action Needed to Implement: Can be implemented administratively.

Potential Source(s) of Funding: Not applicable.

12. Community Development Corporations.

Description: Support and encourage the involvement of existing Community Development Corporations, and/or the development of a new such corporation, in order to facilitate the provision of affordable housing in Alexandria.

Staff Comment: Requires further discussion by the Task Force.

Housing Assistance Actions Implemented or in Development Based on Task Force Discussions

1. Eliminate 6-month waiting period for homeownership assistance to purchase units formerly occupied by tenants.

Issue: The City's Homeownership Assistance Program (HAP) is subject to federal acquisition and relocation requirements. Relocation requirements would be triggered if the City's assistance were connected to the displacement of a tenant from the property being purchased. Many years ago, an agreement was reached between the Office of Housing and the HUD Field Office staff that no such connection would be deemed to exist if a formerly tenant-occupied property were vacant for six months prior to the purchase contract from the assisted buyer. This situation has caused increasing difficulties in recent years, as an increasing number of buyers have become interested in purchasing properties that were previously rented. Assisted buyers have lost out because sellers were not willing to hold the property for six months if they had another buyer.

Action taken: After discussion of this issue at the Housing Assistance to Households Subcommittee, staff consulted with the current HUD Field Office staff and received a determination that the six month rule is unnecessary, and that the determination should be made based on the facts of each case, and whether or not there is any relationship between the City's program and the owner's decision to sell the property.

2. Make it easier for borrowers, as well as real estate agents and prospective sellers, to know how much house the borrower can afford to purchase with the City's assistance.

Issue: Concerns were expressed that real estate agents and sellers would appreciate knowing specifically how much a buyer can expect to receive from the City, but this information is not known until the very end of the process.

Action Taken: While the specific City loan amount cannot be finalized until the first trust loan package is completed, homeownership program applicants will be provided with two letters to help clarify their standing in the City's program. The first letter will be issued after review of the applicant's initial application by City staff, and will inform the applicant which City program (HAP or MIHP) the applicant appears to qualify for, and the maximum assistance for which they are eligible under that program. The second letter will be provided after the applicant has consulted a lender and the lender has contacted the Office of Housing,

and will advise the applicant in writing of the maximum house price for which the applicant is expected to qualify, taking into account the City's assistance. Although it is expected that the lender will share this information with the client, the letter may be used by the client to satisfy the real estate agent and prospective sellers of the client's ability to purchase a house in a given price range.

3. **Take other steps, as appropriate, to expedite the homeownership assistance process, to the extent possible.**

Action Taken: The schedule for mailing program information to persons inquiring about the homeownership program has been amended to take into account the schedule of homeownership counseling classes, to decrease the waiting time between the initial inquiry and participation in counseling. In addition, changes in intake procedures to allow direct referrals to the housing counseling agency from lenders and real estate agents as well as City staff are under consideration. In response to a suggestion from real estate agents, staff will also schedule inspections after contract signing rather than after loan approval.

4. **Hold an information session for real estate agents and lenders/brokers concerning affordable mortgage products (such as those offered by Fannie Mae and Freddie Mac) prior to the Homeownership Fair.**

Action Taken: Subject to confirmation from Fannie Mae and Freddie Mac, a meeting/information session on affordable mortgage products will be held on June 7 at the Lee Center. The Virginia Housing Development Authority (VHDA) will also be invited to participate. Depending on feedback from those present, staff will consider holding such sessions on a semi-annual or annual basis.

5. **Increase participation in the City's Homeownership Assistance Program (HAP) and Moderate Income Homeownership Assistance Program (MIHP) through expanded outreach efforts**

Action Currently Planned: Expand the range of community education activities related to the City's homeownership assistance programs with an emphasis on increasing outreach to the following populations:

- City of Alexandria employees
- Alexandria City Public School employees
- Spanish-speaking City residents, and

- Individuals employed by private employers located in the City.

In addition to continuing the annual Homeownership Fair, additional outreach efforts will include direct mailings to all multifamily rental apartments in the City, and Office of Housing staff attendance at City and School staff meetings and other City-organized events, and inclusion of program information in the City employee newsletter.

In concert with increased outreach activities, staff will develop a marketing campaign to increase awareness of its homeownership assistance programs among private employers, with an emphasis on large employers. Employers will be encouraged to market the programs within their organizations and to emphasize the benefits of living and working in Alexandria. Office of Housing staff, possibly in conjunction with assistance from the City's homeownership counseling contractor, will be made available to conduct information sessions to assist private employers in conducting internal outreach efforts. The City's website will also be used as a means of disseminating program information.

6. Increase sales price limit for homeownership programs.

Issue: The maximum sales prices in the City's Homeownership Assistance Program (HAP) and Moderate-Income Homeownership Program (MIHP) have been \$173,200 for new housing and \$171,800 for existing housing. Prior to January 2001, these were the income limits for all of the Virginia Housing Development Authority's first-time homebuyer programs in Northern Virginia. However, in January 2001, VHDA increased the limit for mortgage products not funded with Mortgage Revenue Bonds to \$275,000, retaining the previous limits for MRB-funded projects because of federal requirements. Based on input from real estate agents and lenders to the effect that income-eligible buyers, and particularly families, are having difficulty finding suitable housing within the current limits, the Subcommittee requested that staff look into raising the sales price limits.

Action Taken: Staff is prepared to implement a new sales price limit of \$225,000, and has determined to use this figure, rather than \$275,000, because \$225,000 was calculated to be what a household with an income of \$79,500, and non-housing debt typical of the City's MIHP purchasers can afford, with \$15,000 of City MIHP assistance, without requiring substantially more cash investment from the purchaser than the MIHP program requires. Assuming an interest rate of 7.46% (program average for FY 2001), a 5% required downpayment, and non-housing debt of \$500 per month, the purchaser would have to provide \$3,731 of his or her own funds to complete the transaction. The minimum purchaser contribution under the MIHP program is \$3,000. A similar scenario, using a purchase price of \$250,000, would have required the purchaser to come up with \$5,812. The Affordable Housing Advisory Committee endorsed this action on April 5, 2001.

7. **Improve data collection and program evaluation efforts to better assess the effectiveness of existing housing and rental assistance programs in advancing the goal of establishing and preserving stable communities and self-sufficient households.**

Issue: Concerns were expressed regarding the lack of data available to assess why certain individuals are not eligible for existing rental assistance programs. The Subcommittee also expressed a desire to better understand if households were facing chronic needs, and to better understand the nature of these needs.

Action Currently Planned: Staff are prepared to review data collection systems to determine where improvements can be made, and to increase data sharing where permissible under confidentiality requirements, provided that it would be cost effective to do so.

CITIZEN/OTHER ATTENDEES AT SUBCOMMITTEE MEETINGS

Housing Production Subcommittee

Jeff Bennett, Alexandria Redevelopment and Housing Authority
Scott Frey, Commission on Aging
Barbara Gilley, Alexandria Commission on Persons with Disabilities
Poul Hertel, Federation of Civic Associations
Karen Levy, City employee
Lois Kebe, Affordable Housing Advisory Committee
Sarah Posner, Alexandria Commission on Women
Alethea Taylor-Camp, Warwick Village
Lois Van Valkenburgh, Commission on Aging
Marsha Williams, St. Joseph's Church

Housing Assistance to Households Subcommittee

Sylvia Brennan, Legal Services of Northern Virginia
Barbara Gilley, Alexandria Commission on Persons with Disabilities
Poul Hertel, Federation of Civic Associations
Andrew Macdonald
Dana Matthews
Donald Mela
Gail Templeton, Community Builder, HUD Next Door
Lois Van Valkenburgh, Commission on Aging
Otis G. Weeks, Ladrey High Rise Advisory Board